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Cy #1 of Cy #3

1 APR 1977

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MEMORANDUM FOR: Director of Central Intelligence

FROM : James H. Taylor
Comptroller

SUBJECT : Senate Select Committee Views on Separating National Intelligence Product from Clandestine Services and Other Collection Functions

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1. You asked if we would annotate portions of the Senate Select Committee on Intelligence's (SSC) report of last year dealing with the question of separating national intelligence production and analysis (the DDI) and the Clandestine Service (DDO). Your question is complex and in fact is central to the deliberations surrounding [redacted] Having said this, we nevertheless hope this paper will give you a useful response.

2. Among other things, the SSC recommended consideration of major organizational changes in the Intelligence Community. Briefly, the Committee proposed that the DCI be given statutory responsibility and authority for establishing national intelligence requirements, preparing the national intelligence budget, and providing guidance for U.S. national intelligence program operations. Within this broad framework, the Committee believed that the Executive Branch and the Congress should: "...give careful consideration to removing the DCI from direct management responsibility for the Central Intelligence Agency. This would free the DCI to concentrate on his responsibilities with regard to the entire intelligence community and would remove him from any conflict of interest in performing that task. It might also increase the accountability of the Central Intelligence Agency by establishing a new and separate senior position--a Director of the Central Intelligence Agency--responsible for only the CIA."

3. Let us comment on this basic recommendation, which has been incorporated into one of the present Select Committee's draft bills. Three points should be made. First, this recommendation further separates the DCI from the Intelligence Community by

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apparently eliminating his line authority over the one element of the Community which he does now control directly--the CIA.

4. Second, by giving the DCI budgetary but not line command authority over the Community, the proposal raises a question as to what the Director's job is in contrast to that which is currently exercised, under statute, by OMB.

5. Third, taking away the DCI's line authority over CIA would leave the new Director of the Central Intelligence Agency (D/CIA) accountable to the NSC (or possibly the President) for operational, production, and policy matters and to the DCI for budgets. The possibility for undesirable end runs and general confusion is considerable, and it is not clear, if a streamlined management structure is our goal, that we would have gained very much. If the CCP and the NRO were made similarly accountable to the DCI for budgetary matters but remained accountable to the Secretary of Defense for operations (or were made accountable to the President and the NSC), the problem would intensify.

6. Let us return to the Senate report which states: "The Committee believes that several important problems uncovered in the course of this inquiry suggest that serious consideration also be given to major structural change in the CIA--in particular, separating national intelligence production and analysis from the clandestine service and other collection functions. Intelligence production could be placed directly under the DCI, while clandestine collection of foreign intelligence from human and technical sources and covert operations would remain in the CIA." Thus the DCI of the future would exercise line management control only over the production and analysis function (presumably the CIA Intelligence Directorate plus the NIO structure). He would "own" the production function but be responsible only for the budgets of, and the tasking* of, whatever portion of the balance of the Intelligence Community for which he is given authority. Removing the DDI from CIA would leave a "residual CIA," responsible for clandestine collection and related technical and other support

*It is not clear what the Senate report has in mind in suggesting that the DCI have tasking authority over the whole Community but not line control. The implication is that the DCI will have the authority to tell others what to do but not to force them to do it, although his budgetary powers may help ensure that they listen when he talks.

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(the DDO and parts of DDS&T and DDA); some technical collection (DDS&T); the management of certain overhead programs under delegation from the NRP (assuming present arrangements remained unchanged--which they might not); and covert action.

7. The Committee then goes on to note the advantages and disadvantages of this approach. These are stated below together with our comments in each case:

"The advantages of such a step are several:

--The DCI would be removed from the conflict of interest situation of managing the intelligence community as a whole while also directing a collection agency."

This is generally true, but it should be noted that he would not be responsible for managing the Intelligence Community--but only for proposing, defending, and administering its budget.

"--The concern that the DCI's national intelligence judgments are compromised by the impulse to justify certain covert action operations or by the close association of the analysts with the clandestine service would be remedied."

This seems true enough, though "compromised" is a word with which many would argue. On the other side of this coin, it should be noted that many believe that a problem is the lack of a close relationship between analysts and the clandestine service which may lead to "operations for operations' sake" rather than operations which respond to analytical needs.

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"--The problem, seen by some in the intelligence community, of bias on the part of CIA analysts toward the collection resources of the CIA would be lessened."

If this in fact a real problem, the statement would appear to be true.

"--It would facilitate providing the intelligence production unit with greater priority and increased resources necessary for improving the quality of its finished intelligence."

We doubt this. The proposed formulation would not in and of itself improve the DCI's ability to do what he now has the authority to do if he deems it appropriate. Though hardly a powerful argument, the reverse could also be true: In trying to be even-handed on budgetary matters, the DCI might tend to shy away from proposals to enhance his own organization at the possible expense of others.

"--Tighter policy control of the Clandestine Service by the National Security Council and the Department of State would be possible."

We doubt this. In fact we believe that the reverse would be true: By making the clandestine service responsible to two masters instead of one, whatever problem presently exists would get worse, not better.

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"--The Director would be able to focus increased attention on monitoring Clandestine Services."

Without line control over the clandestine service, it is hard to see how the DCI would be in a position usefully to focus increased attention on the clandestine service. Why, in the last analysis, should the clandestine service, which would report through a new DCIA to the NSC, respond to the DCI's interest? The new DCI would be in the same position OMB is now--they control the money but have never been able to get deeply into sensitive operational detail.

"--Internal reorganization of the Directorate for Intelligence and the remainder of the CIA could be facilitated."

We think there is little validity to this point. In fact, several significant reorganizations have taken place during the past year under existing arrangements--particularly in the Directorate for Intelligence.

The Committee notes that: "There are potential drawbacks as well:

--The Director of Central Intelligence might lose the influence that is part of having command responsibility for the clandestine services."

We agree, and have argued above why this might well be the case.

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"---The increasing, though still not extensive, contact between national intelligence analysts and the Clandestine Service for the purpose of improving the espionage effort might be inhibited."

Again, as pointed out above, we agree. It is important to note, however, that for cover, security, and other reasons, the relationship between DDI analysts and DDO operations officers generally will probably never be a close one at the working level (though there is and should be a close relationship at the top).

"---The DCI would have managerial responsibility over the former CIA analysts which might place him in a conflict-of-interest situation in regard to the production of intelligence."

We do not understand this point and hesitate to comment on it, though this possibly refers to the DCI's responsibility to prepare national estimates taking into account the views of other Community production entities, such as DIA. If this point is accurate, it should be noted that the DCI has lived with this problem for 30 years; the SSC approach represents no change.

"---The increased number of independent agencies would increase the DCI's coordination problems."

In our view, it is not the "increased number of independent agencies" which would increase his coordination problems but his lack of line control over one part of the Community---CIA---which would increase that problem.

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"--If the clandestine services did not report to the DCI, there would be the problem of establishing an alternative chain of command to the President."

We agree and have so noted above.

"--The Clandestine Service might be downgraded and fail to secure adequate support."

We see no particular reason why this should be the case.

This could happen under present arrangements as easily

as it might under the new formulation.

8. We hope this paper has been helpful to you. We have attached an earlier paper provided to Mr. Knoche which comments on many of the same issues from a somewhat broader perspective.

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James H. Taylor

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As stated
[redacted], dtd 16 Mar 77)

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